

Message Text

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SUBJ: UNEMPLOYMENT CONTINUES TO RISE

REF: (A) WELLINGTON 1843, (B) WELLINGTON A-28

1. A STATEMENT JUST RELEASED BY THE MINISTER OF LABOUR PUTS THE REGISTERED UNEMPLOYED AT JULY 2 AT 6,305, UP 550 SINCE JUNE 18 (AND 1,180 OVER JUNE 4). PERSONS ON SPECIAL WORK SCHEMES INCREASED 377 TO 6,446 BETWEEN THE SAME DATES. (THE INCREASE OVER THE JUNE 2 FIGURE IS 916). THIS ADDS UP TO A TOTAL INCREASE IN PERSONS REGISTERED AS OUT OF REGULAR WORK FOR THE MONTH FROM JUNE 2 TO JULY 2 OF 2,096, A SIGNIFICANT JUMP. TWO FACTORS TENDING TO MODERATE THE INCREASE IN REGISTERED UNEMPLOYED AND RELIEF WORK FIGURES ARE, (1) A SLIGHT DECREASE IN SCHOOL LEAVERS REGISTERED AS UNEMPLOYED AND (2) A DELAY IN SEASON LAYOFFS IN MANY AREAS. RECORDED VACANCIES HAVE INCREASED FROM JUNE 18 TO JULY 2 FROM 1,479 TO 1,654. THERE WERE 4,100 PERSONS DRAWING UNEMPLOYMENT BENEFITS ON JULY 2 THE FRUIT GROWING AREA AROUND HASTINGS AND NAPIER AND THE EXTREME SOUTHERN AREA OF NEW ZEALAND AROUND INVER-CARGILL REGISTERED THE HIGHEST INCREASES IN UNEMPLOYMENT.

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3. THE JULY 2 FIGURES ARE THE LATEST IN A CONTINUING

TREND OF SEVERAL WEEKS IN INCREASING UNEMPLOYMENT. IN EARLY MAY REGISTERED UNEMPLOYED WAS JUST OVER 4,500 AND PERSONS ON RELIEF WORK SCHEMES JUST UNDER 4,850 (SEE PARA 1 OF REFTTEL).

4. THE MINISTER OF LABOUR RECENTLY, IN ACKNOWLEDGING THE RISE IN UNEMPLOYMENT, RECALLED THAT "EXPERTS" HAD PREDICTED EARLY IN 1976 THAT UNEMPLOYMENT WOULD RISE TO AS HIGH AS 20,000 BY MID-1976 (SEE PAGE 2 OF REFAIR.) MORE RECENTLY THERE HAVE BEEN PREDICTIONS OF OVER 18,000 SOMETIME AFTER MID-YEAR. (THE NEW ZEALAND INSTITUTE OF ECONOMIC RESEARCH PREDICTED 20,000 BY AUGUST). THE MINISTER HAS SAID HE DOUBTED UNEMPLOYMENT WOULD RISE THIS HIGH.

5. THOUGH THE LATEST FIGURES ON REGISTERED UNEMPLOYED STILL ONLY ADD UP TO ABOUT 1 PER CENT OF THE TOTAL EMPLOYED WORK FORCE THEY ARE THE HIGHEST FOR MANY YEARS. (IN JULY 1968 UNEMPLOYED REACHED 11,731 HIGHEST SINCE THE 1930'S.) TO AID THE GROWING NUMBER OF UNEMPLOYEDS SPECIAL WORK SCHEMES ARE BEING FURTHER EXPANDED. THE GOVERNMENT HAS ALSO INSTITUTED A PROGRAM OF INDIRECT ASSISTANCE TO THE PRIVATE SECTOR IN SOME AREAS BY BRINGING FORWARD MAINTENANCE ON GOVERNMENT BUILDINGS. IN TWO AREAS A GOVERNMENT SUBSIDY IS BEING GIVEN TO EMPLOYERS TAKING ON UNEMPLOYED WORKERS.

6. COMMENT: THE MAIN SEASONAL LAY-OFF PERIOD IS IN JULY. BY MID-AUGUST THE PEAK SHOULD BE REACHED. AT THAT TIME THE UNEMPLOYMENT PICTURE SHOULD BE CLEARER. NO DOUBT THE GOVERNMENT HOPES THE SITUATION WILL START TO IMPROVE IN SEPTEMBER. AS AN INTERESTING SIDE-LIGHT WHICH GIVES SOME INSIGHT INTO THE ORDER OF PRIORITIES BEING SET BY THE GOVERNMENT IN ITS ECONOMIC POLICIES, THE PRESS RECENTLY CARRIED REPORTS THAT MINISTRY OF WORKS AND DEVELOPMENT EMPLOYEES WERE BEING LAID-OFF FROM THEIR REGULAR JOBS ONLY TO BE RE-HIRED BY THE MINISTRY ON SPECIAL WORK SCHEMES. THE MINISTER OF LABOUR DID NOT DENY THE REPORTS. HE EXPLAINED THAT THE WORKERS WERE BEING LAID-OFF FROM HIGH CAPITAL EXPENDITURE WORK AND RE-HIRED ON LOW CAPITAL EXPENDITURE WORK WHICH WOULD COST THE GOVERNMENT LESS. IT IS CLEAR THAT REDUCING CAPITAL EXPENDITURES IS SEEN BY UNCLASSIFIED

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THE GOVERNMENT AS A FAIRLY QUICK ADDITIONAL MEANS OF REDUCING THE LARGE (DEFICIT) GOVERNMENT EXPENDITURE BUDGET. REDUCING OR SLOWING EXPENDITURES ON CAPITAL PROJECTS ALSO HAS THE ADDED DESIRABLE EFFECT OF REDUCING IMPORTS AS MOST CAPITAL PROJECTS HAVE A LARGE IMPORT CONTENT. REDUCING IMPORTS, OF COURSE, IS ANOTHER OF THE TOP PRIORITY AIMS OF THE NATIONAL GOVERNMENT.

7. THE CUT-BACKS IN GOVERNMENT SPENDING ALREADY EFFECTED

HAVE ALSO BEGUN TO INFLUENCE THE BUSINESS CLIMATE IN THE PRIVATE SECTOR. WHEREAS, AS A MEANS OF CUTTING IMPORTS, THE GOVERNMENT SEES SOME GAIN IN DAMPENING DOWN WHAT IT SEES AS AN UNDESIRABLE CONTINUING BUOYANCY IN THE PRIVATE SECTOR, IT UNDOUBTEDLY DOES NOT WISH TO SET OFF A SPIRALING GROWTH OF MASS UNEMPLOYMENT. THE PRIME MINISTER IN RECENTLY COMMENTING THAT THE BUDGET PRESENTATION IN PARLIAMENT MIGHT BE DELAYED UNTIL AUGUST, SAID HE DIDN'T KNOW WHETHER IT WOULD BE RESTRICTIVE OR REFLATIONARY. HE SAID THE GOVERNMENT WAS WATCHING CLOSELY THE EFFECT ON THE ECONOMY OF THE MEASURES IT HAS TAKEN SO FAR. NO DOUBT THE RISE IN UNEMPLOYMENT IS ONE IMPORTANT INDICATOR BEING FOLLOWED WITH CONSIDERABLE ATTENTION.
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